

VZCZCXRO5855
PP RUEHFK RUEHGH RUEHKSO RUEHNH
DE RUEHKO #0259/01 0310855
ZNY CCCCC ZZH
P 310855Z JAN 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 1421
INFO RUEHBJ/AMEMBASSY BEIJING 1443
RUEHUL/AMEMBASSY SEOUL 7506
RUEHFR/AMEMBASSY PARIS 5969
RUEHNH/AMCONSUL NAHA 8242
RUEHOK/AMCONSUL OSAKA KOBE 9513
RUEHFK/AMCONSUL FUKUOKA 5846
RUEHKSO/AMCONSUL SAPPORO 6454
RUEHGH/AMCONSUL SHANGHAI 0324
RUEHHK/AMCONSUL HONG KONG 6434
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/TREASURY DEPT WASHDC
RUEHIN/AIT TAIPEI 6880

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 000259

SIPDIS

SIPDIS

USTR FOR AUSTR CUTLER, BEEMAN, AND MEYERS
PARIS FOR USOECD AND IEA
TREASURY FOR IA/DOHNER, HAARSAGER, AND POGGI

E.O. 12958: DECL: 2/1/2018
TAGS: [ECON](#) [PGOV](#) [JA](#)
SUBJECT: JAPAN: LDP DIET MEMBER ON GAS TAX RISKS, RATIONALE

REF: A. TOKYO 142

- [1](#)B. TOKYO 233
- [1](#)C. TOKYO 235

Classified By: Ambassador J. Thomas Schieffer for reasons 1.4 b/d.

Summary

[1](#)1. (C) Maintaining Japan's "provisional" gasoline tax and related tax surcharges is the right thing to do, ruling Liberal Democratic Party (LDP) Diet member Masahiko Shibayama told Embassy Tokyo January 29, because letting them expire would exacerbate the country's difficult fiscal position. The LDP's primary motivation for supporting the tax, however, is to maintain a source of funding and influence in rural areas. Shibayama expressed concern about the lengths the party might go to preserve the taxes, saying Diet tactics that appeared undemocratic could cost the party. End summary.

Policy and Political Rationale

[1](#)2. (C) Japan's national debt is so high, LDP Diet member Masahiko Shibayama told Emboff January 29, that lowering any taxes would be irresponsible. The gasoline tax therefore should be extended and expenditures cut. However, he held out little hope for such cuts given expectations of a general election in 2008.

[1](#)3. (C) The LDP's primary reason to extend the "provisional" legislation, however, is keeping a source of revenue and influence for rural Diet members, according to Shibayama. Other explanations, such as PM Fukuda's recent defense of the tax on environmental grounds, are just "excuses," he said, noting wryly that none of the "road tribe" members touting the environmental line is supporting carbon taxes.

Take the "Royal Road"

[1](#)4. (C) Expressing concerns about the risks of the LDP's position, Shibayama said although rural Diet members and their financial contributors are strongly for maintaining the tax, "the majority of rural voters are probably against it." Because gasoline prices have risen so steeply over the past

three years, finding a way to give consumers a break on gasoline prices has significant appeal. Moreover, what good are roads anyway, he asked, if you cannot afford to drive on them?

15. (C) Speaking the day before the ruling and opposition parties compromised on a two-month "bridging bill" (withdrawing the bill in exchange for a vote on budget and related bills within this fiscal year), Shibayama warned the bill (ref C) would alienate voters. The electorate, said Shibayama, would find it undemocratic if the "bridging bill" were passed with only one or two days of debate, and the LDP would pay a price in popularity.

16. (C) Shibayama said he had brought his concerns and a recommendation "to take the 'royal road'" -- i.e., open discussion in the Diet -- to an LDP executive member, but had been ignored. "Some members," he commented, "are not in vulnerable seats." The January 30 Diet compromise to withdraw the "bridging bill," however, ensured that just such a debate will take place.

Effects on the LDP, Coalitions

17. (C) According to Shibayama, there is a group of Lower House LDP Diet members from urban districts who are "a bit sensitive" about the gasoline tax because they fear it will not play well in their districts if a general election is called in 2008. He said the LDP would be unified in a vote on the gasoline tax, but the issue had exposed rifts within the party the executive members are not managing well. Former PM Koizumi, he noted, had made the party's position clear to the electorate on his signature issue of postal privatization by expelling party members who were openly

TOKYO 00000259 002 OF 002

against it. Shibayama said he "totally supported" that approach, which gave voters a clear policy choice. He did not expect a similar unity of policy position -- or voter appeal -- to emerge from the party's jockeying on the gasoline tax.

18. (C) Asked about the opposition coalition's unity on the gasoline tax, Shibayama noted the members of the People's New Party are "old LDP" and unsurprisingly a problem for the DPJ. The LDP has its own concerns, though, as he had heard its coalition partner favored ending some road-related surcharges, such as car registration fees and an annual automobile tonnage tax.

Comment

19. (C) Like the opposition Diet member profiled in ref B, Shibayama is young, relatively idealistic, and reform-minded. An ardent Koizumi fan, he is clearly frustrated by his party's philosophical choices and worried about the political risks of the gasoline tax to members like himself.

SCHIEFFER